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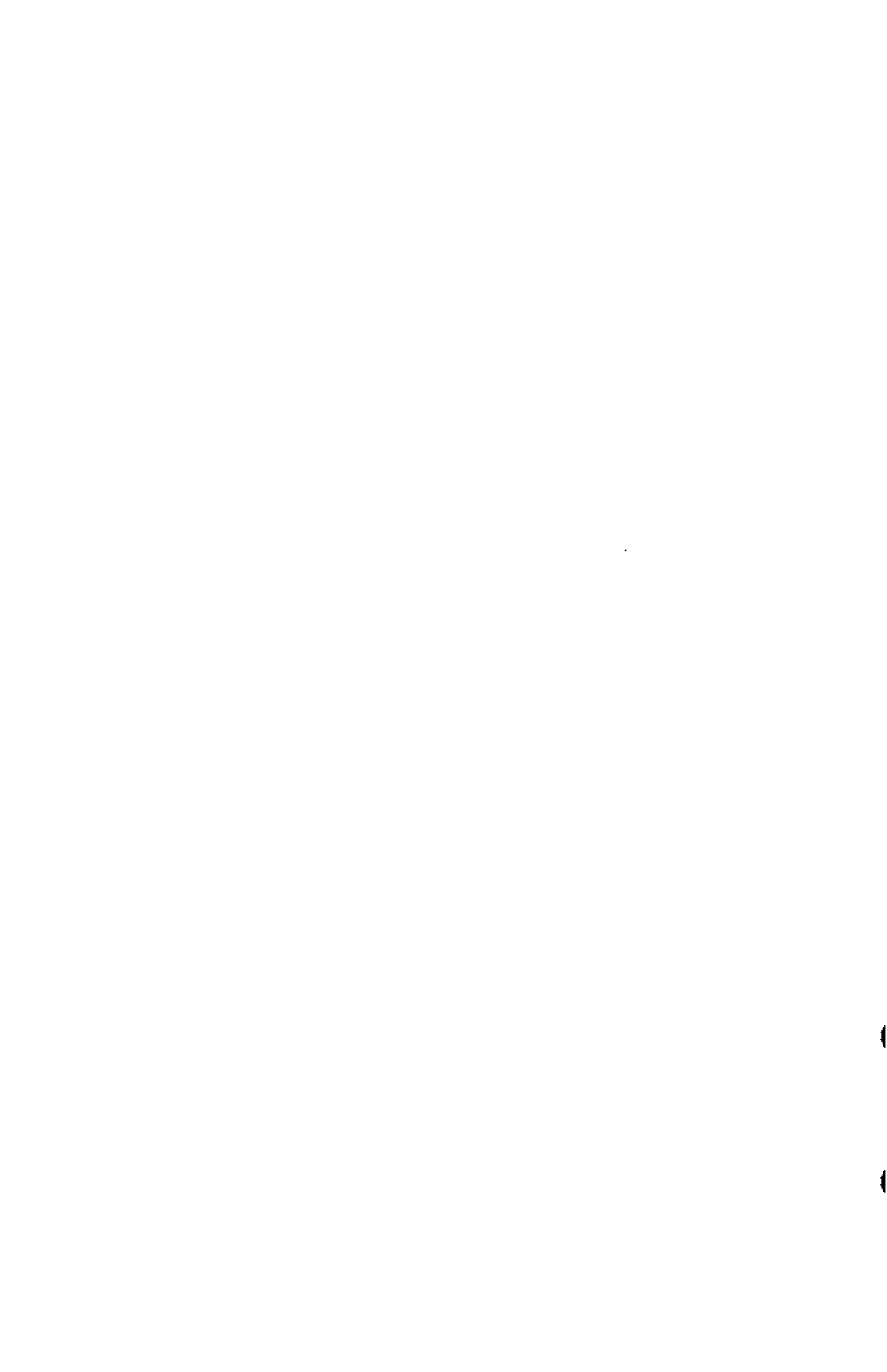
THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

EXCISE TARIFF AMENDMENT BILL 1993

EXPLANATORY MEMORANDUM

(Circulated by the authority of the Minister for Industry, Technology and Regional Development, the Honourable Alan Griffiths MP)



EXCISE TARIFF AMENDMENT BILL 1993

OUTLINE

The main purpose of this Bill is to amend the *Excise Tariff Act 1921* (the Act) to:

- i) validate duty collections pursuant to Excise Tariff Proposals Nos. 1 and 2 of 1992 which lapsed as a result of the dissolution of the House of Representatives on 8 February 1993; and
- ii) incorporate Excise Tariff Proposal No. 1 of 1993 into the Act.

Excise Tariff Proposal No. 1 of 1992 was intended to decrease the excise duty payable on gasoline for use in aircraft from 7 May 1992 in accordance with the Government's policy of decreasing that duty as the cost of functions funded by the duty is reduced.

This reduction in funding is occurring as part of the program announced by the Government in 1990 in which Commonwealth-owned aerodromes are being transferred to full local ownership and aerodrome owners who are receiving funding under the aerodrome local ownership plan (ALOP) are being encouraged to accept full financial responsibility for their aerodromes. The resulting reduction in funding is intended to be passed onto the aviation industry in the form of reductions in both the excise and customs duty on gasoline for use in aircraft. The planned reduction is to be in the order of 3.010 cents per litre which is to be phased out in three stages. The one cent per litre reduction intended by Excise Tariff Proposal No. 1 of 1992 is the first stage of the process.

Excise Tariff Proposal No. 2 of 1992 was intended to increase the excise duty on tobacco products and further decrease the excise duty payable on gasoline for use in aircraft, operative from 19 August 1992. This 1.1 cent per litre reduction in the duty on gasoline for use in aircraft is a combination of:

- i) the second stage of the transfer of ownership of aerodromes from the Commonwealth Government to local ownership as outlined above (a further one cent per litre); and
- ii) the Civil Aviation Authority achieving cost savings in the provision of its rescue and firefighting services and therefore a corresponding reduction in the proportion of excise duty used to fund that service (0.1 cents per litre).

Upon dissolution of the House of Representatives on 8 February 1993 the proposals ceased to have effect by virtue of section 114 of the *Excise Act 1901*. On 9 February the Comptroller published a notice of intention to propose an Excise Tariff alteration effective from 10 February 1993. This notice of intention reinstated the rates of duty for gasoline for use in aircraft and for tobacco products from 10 February 1993 until such time as the new rates are incorporated into the Act. To ensure that duty collected prior to 10 February 1993 has been collected at the correct rate, Clauses 5, 6 and 7 of

the Bill reinstate the effect of the lapsed proposals by retrospectively validating duty collections pursuant to the lapsed proposals, with clause 7 also having the effect of incorporating Excise Tariff Proposal No. 1 of 1993 into the Act.

Financial Impact Statement

a) Gasoline for use in Aircraft

The reduction of 2 cents per litre in respect of the Department of Transport and Communications' aerodrome cost recovery program will result in a reduction of revenue in the order of \$1.8 million in 1992-93 and \$2 million in 1993-94.

The decrease of 0.1 cents per litre requested by the Civil Aviation Authority is balanced by the reduction in moneys appropriated to it, so therefore there will be no net financial impact.

b) Tobacco Products

The increase in the excise duty on tobacco products, together with the corresponding increase in the customs duty, was estimated as part of the 1992 Budget to result in an increase of \$80 million for 1992-93 and \$100 million for 1993-94.

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NOTES ON CLAUSES

Short title etc.

Clause 1 provides for the citation of the Act and identifies the *Excise Tariff Act 1921* as the Principal Act for the purposes of this Act.

Commencement

Clause 2 provides for the Act to commence on the day on which it receives Royal Assent with the exception of:

- a) clause 5, which reduces the duty payable on gasoline for use in aircraft and is taken to have commenced on 7 May 1992, the date of commencement of the lapsed Excise Tariff Proposal No.1 of 1992; and
- b) clause 6, which further reduces the duty payable on gasoline for use in aircraft and increases the duty payable on tobacco products and is taken to have commenced on 19 May 1992, the date of commencement of the lapsed Excise Tariff Proposal No. 2 of 1992; and
- c) clause 7, which adjusts the duty payable on gasoline for use in aircraft and on tobacco products to take into account the effect of the automatic indexation provided for in section 6A of the Principal Act.

Repeal of section 6

Clause 3 effects a minor technical amendment to the Principal Act by repealing section 6 of the Principal Act which specifies goods to which subitem 10(D) of the Schedule to the Principal Act does not apply. Given that subitem 10(D) has been repealed, it is considered appropriate to also repeal section 6.

Repeal of subitem 17(C)(2)

Clause 4 effects another minor technical amendment to the Principal Act by repealing subitem 17(C)(2) of the Schedule to the Principal Act. Prior to 1 July 1991, subitem 17(C)(2) of the Schedule to the Principal Act only applied to liquefied petroleum gas (LPG) produced from the Bass

Strait oil fields. On 1 July 1991 the *Petroleum Resource Rent Legislation Amendment Act 1991* commenced, which had the effect of replacing excise duty payable on LPG from Bass Strait with a petroleum resource rent tax. Consequently there is no longer any LPG subject to subitem 17(C)(2) and therefore its repeal is appropriate.

Amendment of Schedule having effect from 7 May 1992

- Clause 5 reduces the excise duty payable on gasoline for use in aircraft (avgas) with effect from 7 May 1992 following the Government's decision to phase out the collection of that proportion of duty on avgas attributed to the aerodrome cost recovery program. As the number of aerodromes financially supported by the Government is reduced there is a corresponding reduction in Government outlays. This amendment reduces the excise duty from \$0.27480 per litre to \$0.26480 per litre; this 1 cent per litre reduction being the first phase of the planned reductions of the 3.010 cents per litre attributable to the aerodrome cost recovery purposes.

Amendment of Schedule having effect from 19 August 1992

- Clause 6 effects two sets of amendments to the Principal Act:
- paragraph (d) further reduces the excise duty payable on avgas by 1.1 cents per litre with effect from 19 August 1992 due to further reductions in the number of aerodromes financially supported by the Government (accounting for 1 cent per litre) and to cost savings by the Civil Aviation Authority in the provision of rescue and fire fighting services (accounting for the other 0.1 cents per litre); and
- paragraphs (a), (b), and (c) increase the excise duty payable on tobacco and tobacco products by \$5.00 per kilogram with effect from 19 August 1992.

Amendment of Schedule having effect from 2 February 1993

- Clause 7 adjusts the duty payable on both avgas and tobacco and tobacco products as a consequence of automatic indexation of the lapsed proposal No.2 of 1992.
- Section 6A of the Principal Act provides for indexation of certain rates of excise corresponding to the change in the Consumer Price Index as published by the Commonwealth Statistician.

On 2 February 1993 the duty rates for avgas and tobacco products being collected pursuant to Proposal No. 2 of 1992 were adjusted slightly upwards to account for the slight increase in the CPI. On 9 February 1993 the Comptroller published a notice of intention to propose an Excise Tariff Alteration in the Gazette (Proposal No. 1 of 1993) to set the rates for avgas and tobacco products at the new indexed rates.

Clause 7 therefore validates duty collections pursuant to the lapsed Excise Tariff Proposal No. 2 of 1992 at the new indexed rate from 2 February 1993 up to 9 February 1993 and also incorporates Excise Tariff Proposal No. 1 of 1993 into the Principal Act.



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